

SUBCOMMITTEE NO. 2

Agenda

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Room 112

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Resources—Environmental Protection—Energy

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Overview

1. Secretary for Environmental Protection – Linda Adams

- Secretary Adams will provide an overview of the CalEPA budget

0555 Secretary for Environmental Protection

Background. The Secretary for Environmental Protection heads the California Environmental Protection Agency (Cal-EPA). The Secretary is responsible for overseeing and coordinating the activities of the boards, departments, and office under the jurisdiction of Cal-EPA.

Governor's Budget. The Governor's Budget proposes \$10.7 million to support the Secretary for Environmental Protection. This is a 19 percent increase over estimated expenditures in the current year. General Fund support for the Secretary is proposed to increase by about \$118,000.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Support	\$ 13,279	\$ 15,027	\$ 1,748	13.2
Total	\$ 13,279	\$ 15,027	\$ 1,748	13.2
Funding Source				
General Fund	\$ 1,971	\$ 2,089	\$ 118	5.9
Special Funds	7,036	8,636	1,600	22.7
<i>Budget Act Total</i>	<i>9,007</i>	<i>10,725</i>	<i>1,718</i>	<i>19.1</i>
Reimbursements	1,877	1,904	27	1.1
State Water Quality Control Fund	175	177	2	1.1
Environmental Enforcement and Training Account	2,066	2,066	0	0
Environmental Education Account	155	155	0	0
Total	\$ 13,280	\$ 15,027	\$ 1,747	13.2

1. CalGOLD Permit Information Portal

Background. Public Resources Code section 71040 directs the Secretary for Environmental Protection to establish an electronic online system to provide businesses and other entities with information to assist them in complying with applicable regulation and permit requirements. This system was named the California Government Online to Desktops (CalGOLD). AB 2582 (Mullin, 2006) required the addition of permitting and compliance information regarding emerging, biotechnology, and life sciences industries.

The Legislative Analyst's Office (LAO) conducted an analysis of the CalGOLD system and found that more than 85 percent of the annual workload of the permit assistance centers and the online portal did not relate to state environmental permit requirements. Subsequently, the 14 permit assistance centers were closed. Today, much of the information on the CalGOLD online system is outdated.

The Business, Transportation and Housing Agency is the lead agency for the California Business Portal, also known as CalBiz. This portal includes information about starting, growing, financing, or relocating a business to California.

Governor's Budget. The Governor's Budget proposes \$75,000 General Fund for updating the CalGOLD portal and including information regarding permitting and compliance information for emerging and life science industries.

Staff Analysis. The CalGOLD and CalBiz portals have very similar types of information. The state's efforts in maintaining the CalGOLD portal are duplicative of other state efforts. Also, a member of the public seeking information must visit multiple websites rather than having a single reliable source for government information.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal with the following Supplemental Reporting Language:

On or before January 10, 2009, the Secretary for Environmental Protection shall provide a report to the Legislature (including budget and fiscal committees from both houses) on actions that the Secretary for Environmental Protection is taking to merge or move CalGOLD information to the California Business Portal. The report should include a cost estimate for merging or moving the CalGOLD information.

AB 32 – Global Warming Solutions Act of 2006 Implementation

Overview

1. Secretary for CalEPA – Linda Adams

2. LAO: Recommendations on AB 32 Budget Proposals

- Jay Dickenson for the LAO

Governor's Proposals for AB 32 Implementation

The California Global Warming Solutions Act of 2006 (AB 32, Nunez), requires the reduction of statewide greenhouse gas emissions to 1990 levels by 2020. This is a 25 percent reduction over current levels, or approximately 174 million metric tons of greenhouse gas emissions. The largest greenhouse gas emitters in California are the transportation and energy sectors, while cattle and landfills also contribute significant amounts of greenhouse gases.

The largest single reduction in greenhouse gases is anticipated from the AB 1493 (Pavley, 2002), which mandates reduction of greenhouse gases from vehicles. The Air Resources Board (ARB) adopted regulations relating to AB 1493 in 2004 and expects the greenhouse gas reduction to be around 17 percent of the estimated reduction needed to achieve the 1990 target level of emissions by 2020.

AB 32 Mandated Next Steps

June 30, 2007 – Publicize greenhouse gas “early action measures” that can be implemented prior to the other Air Resources Board (ARB) emissions reduction measures and regulations that will become operative beginning on January 1, 2012.

July 1, 2007 – Convene an environmental justice committee, comprised of representatives of communities most significantly exposed to air pollutants, including communities with minority and/or low-income populations

January 1, 2008 – ARB determines statewide greenhouse gas emissions level in 1990.

January 1, 2009 – ARB prepares and approves “scoping plan” to achieve maximum technologically feasible and cost-effective greenhouse gas emissions reductions by 2020. The Plan will make recommendations on direct emission reduction measures, alternative compliance mechanisms, market-based mechanisms, and incentives.

Governor's Executive Order

In addition to AB 32, the Governor's Executive Order S-3-05 called for the creation of the California Climate Change Advisory Committee. The Governor's Executive Order was already in place by the time AB 32 passed. The Governor's Climate Action Team, in its *2006 Climate Action Team Final Report to the Governor and Legislature*, identified strategies to reduce greenhouse gas emissions to 1990 levels by 2020.

0555 Secretary for Environmental Protection

1. California Global Warming Solutions Act of 2006

Proposed Actions. The Secretary for Environmental Protection is proposing to:

- Coordinate these increased government-wide efforts.
- Ensure that individual program actions are cohesive and consistent.
- Monitor overall progress toward the emission reduction limits.
- Prepare the overarching economic analysis.
- Prepare the multi-state registry framework.
- Prepare the public education campaign.
- Manage the increase administrative workload associated with additional rulemakings, contracts, and procurements.
- Manage out-of-state travel requests.

The \$700,000 for external professional contract resources will support:

- Coordinated economic analysis, including job growth, technology exports, and other aspects.
- Development of the multi-generational public education campaign outlined in the Climate Action Team's report.

Governor's Budget. The Governor's Budget proposes \$1.39 million from the Air Pollution Control Fund for five permanent positions and contract funds (\$700,000) to coordinate climate change efforts.

LAO Recommendation. The LAO believes that the activities described in the proposal – planning, coordinating, monitoring, analyzing, and overseeing greenhouse gas emissions reduction activities at various state departments and agencies – would go beyond coordination, particularly given the types of positions being requested. Specifically, of the five positions requested, three are Air Pollution Specialists, which are highly technical staff typical of those employed by ARB for monitoring and regulating sources of air pollution. A fourth position is for a similarly technical Air Resources Supervisor who would oversee the other three technical positions. The fifth position would help the Secretary with public education and outreach. In addition, the proposal requests \$700,000 to pay for external contracts for such activities as analysis of related job growth, technology exports, and other economic effects.

The LAO finds that the budget proposal does not justify the need for the requested technical positions and contracted services based on its role in coordinating the state's greenhouse gas emission reduction activities. The LAO further finds that the highly technical positions would be more effectively employed at an entity, such as ARB, that directly undertakes technical monitoring and regulation of greenhouse gases and has established programs and technical expertise in the subject area. Similarly, the LAO believes that technical and economic analysis is better performed by or contracted through an entity such as ARB. Finally, the LAO believes it is already within the Secretary's day-to-day duties to coordinate public participation and outreach

and think that such activities could be performed with existing resources. The LAO recommends denying the Secretary's \$1.4 million funding request and associated positions.

Staff Analysis. The Legislature should carefully consider the proper role for the Secretary for Environmental Protection in AB 32 implementation, if any. None of the proposed action for the Secretary for Environmental Protection are mandated by AB 32 to be performed by the Secretary for Environmental Protection, but rather within statute are Air Resources Board responsibilities.

However, the Secretary for Environmental Protection has unique authority to pressure other CalEPA departments to work toward greenhouse gas reductions that the ARB does not have. In addition, the Secretary for Environmental Protection would be a suitable contact point for international parties interested in the work California is performing.

Staff Recommendation. Staff recommends the Subcommittee hold this item open.

3900 State Air Resources Board

2. Funding Sustainability

LAO Analysis. AB 32 provides the Air Resources Board with the authority to assess fees for purposes of implementing the California Global Warming Solutions Act of 2006. The Governor's budget does not rely on any increases of existing fees, nor does it propose any new fees. In fact, in the case of funding proposed from Air Pollution Control Fund (APCF), the budget relies on drawing down substantial fund balances carried over from previous years, along with a \$15.2 million loan to APCF from the Motor Vehicle Account—an account with the potential for major future-year pressures—to provide the funding budgeted for 2007-08. This level of funding would not be available from APCF in 2008-09, unless significant fee increases or APCF-funded program reductions in other areas were made.

The budget's funding proposal for AB 32 implementation is clearly not sustainable. However, when asked by the LAO, the administration was unable to specify its long-term funding plan for the state's greenhouse gas emissions reduction activities or whether such a plan would include use of ARB's statutory authority to assess new fees. This lack of planning is particularly problematic given that the activities described in the budget proposal represent only the initial development stages of the state's greenhouse gas reduction programs. The programs that result from this initial ramp-up activity could involve costs well beyond the \$35.8 million included in this year's budget proposal.

LAO Recommendation. The LAO believes it important that the Legislature, in evaluating the administration's proposal, be informed of the administration's long-term plan to fund the state's GHG emissions reduction programs. Therefore, the LAO recommends that the administration report at budget hearings on its long-term funding plan, including its estimate of future-year

costs of the state's greenhouse gas emissions reduction programs, how these future-year costs would be funded, and whether the administration anticipates either increasing existing fees and/or creating new fees to support the identified funding requirements. To ensure that the Legislature is advised of the administration's long-term funding plans for these programs when it evaluates next year's budget, the LAO recommends the adoption of the following supplemental report language:

Item 3900-001-0115. The Air Resources Board shall submit a report to the Legislature, in conjunction with the submittal of the 2008-09 Governor's Budget, on its long-term funding plan to fund the state's greenhouse gas emissions reduction programs, including its estimate of future-year costs of these programs, how these future-year costs would be funded, and whether the administration proposes either increasing existing fees and/or creating new fees to support the identified funding requirements.

Staff Recommendation. Staff recommends the Subcommittee hold this item open and direct staff to propose a funding structure for 2007-08 AB 32 proposals that accounts for fee revenue.

3. Implementation of the California Global Warming Solutions Act of 2006

Proposed Action. There are multiple actions the Air Resources Board intends to undertake. These are as follows:

1. Develop and Implement Inventory and Reporting Programs (19 positions, \$900,000 contracts, \$150,000 equipment)
 - a. Create comprehensive greenhouse gas inventory and establish 2020 limit (9 positions)
 - b. Develop, implement, and enforce mandatory reporting (10 positions)
2. Complete Greenhouse Gas Reduction Plan (12 positions, \$300,000 contracts)
3. Develop and Implement Measures to Reduce California Greenhouse Gas Emissions (64 positions, \$5 million contracts, \$200,000 equipment)
 - a. Develop and implement early action reduction measures (5 positions)
 - b. Develop and implement source-specific measures (17 positions)
 - c. Develop, evaluate, and implement market based compliance system (24 positions)
 - d. Develop protocols for generation of early or voluntary reductions and for emission reduction credits (8 positions)
4. Applied Studies and Scientific Analysis (5 positions, \$1.8 million contracts, \$100,000 equipment)
 - a. Applied studies (4 positions, \$100,000 for equipment)
 - b. Source test method development and emission testing (1 position, \$250,000 equipment)
5. Program Outreach, Oversight, and Support (23 positions, \$200,000 contracts)
 - a. Coordinate with Public Utilities Commission and Energy Commission to reduce greenhouse gases from the electricity sector (2 positions)

- b. Advisory committees (2 positions)
- c. International consultation and outreach (2 positions)
- d. Legislative outreach (2 positions)
- e. Legal support (4 positions)
- f. Information technology support (4 positions)
- g. Administrative support (7 positions)

Governor's Budget. The Governor's Budget proposes \$24,358,000 from the Air Pollution Control Fund for 123 permanent positions and contract funds (\$8.9 million) to implement AB 32 responsibilities. Of the total amount, \$15,179,000 is a loan from the Motor Vehicle Account.

LAO Recommendation. The LAO finds that the budget proposal assumes the inclusion of market-based measures in the state's greenhouse gas emissions reduction regulations. For example, for 24 of its requested 123 permanent positions, ARB's proposal describes tasks involving, in part, the implementation of market-based mechanisms. In addition, ARB's proposal specifies the anticipated use of one particular type of market-based mechanism, known as cap-and-trade. However, when the LAO asked the administration what evaluation led it to assume the inclusion of market-based measures in the state's greenhouse gas emissions reduction efforts, the administration could cite only a bibliography of academic publications and the prevalence of market-based measures as part of greenhouse emissions reduction programs in other jurisdictions.

The use of market-based mechanisms to control greenhouse gas emissions in California involves important policy choices and inherent tradeoffs in which the LAO believes the Legislature should be involved. While all market-based systems have in common some degree of flexibility being granted to regulated sources and the establishment of cost signals, there is substantial variation among potential market-based systems. For example, that variation can include such fundamental issues as whether the government chooses to set the quantity of allowable emission (as in a trading program) or to set the "price" of emissions (as under a fee-for-emitting program); whether such a program will generate revenue and, if so, how to distribute that revenue; and what sectors or entities will bear the costs imposed by such a program.

In addition, the LAO finds that the ARB's budget proposal mentions designing a market-based mechanism to accommodate possible linkages between California's market-based greenhouse gas emissions reduction program and similar programs operating or that may come to operate in other states, regions, and countries. The LAO believes the Legislature should be made aware of, and carefully consider, any such system before California joins its regulatory efforts to those of jurisdictions over which the state has no authority. Given the major policy implications, any linkages with other jurisdictions should be ratified in a policy bill.

AB 32 specifies evaluations that ARB must complete before it includes market-based mechanisms in its greenhouse gas emissions regulations. The LAO notes that as ARB has yet to conduct these evaluations, the Legislature therefore lacks information that it thought important to an assessment of any proposed market-based regulatory system to control greenhouse gas emissions. In addition, it is premature to authorize funding and positions to implement a very

specific market mechanism (namely, cap-and-trade), until these evaluations have been conducted.

The LAO further recommends that the Legislature approve the 24 positions working on developing market based mechanisms as three-year, limited-term positions only. The LAO thinks this three-year period will give ARB staff sufficient time to develop and evaluate various market-based mechanisms, but prevent it from undertaking implementation activities.

Staff Recommendation. Staff recommends the Subcommittee hold this item open and direct staff to work with the LAO and ARB to draft budget bill language specifying that market-based mechanism implementation activities will not be started prior to submittal of a report to the Legislature analyzing all feasible market-based options.

4. Climate Change Litigation Expense

Background. AB 1493 (Pavley, 2002) required the Air Resources Board (ARB) to adopt regulations to achieve the maximum feasible and cost effective reduction of greenhouse gas emissions from motor vehicles manufactured in model year 2009 and later. The ARB adopted the regulations in 2004.

Immediately following the motor vehicle regulation adoption, three separate lawsuits were filed against the ARB. The Department of Justice is representing the State. The first case was supposed to start in January 2007, but was placed on hold by the judge due to a similar case in front of the United States Supreme Court. (It is worth noting that the federal case, involving the United States Environmental Protection Agency's (USEPA) ability to regulate greenhouse gasses, was won by the USEPA). The other two cases against the ARB are expected to proceed to trial during fiscal year 2007-08.

Governor's Budget. The Governor's Budget proposes an augmentation of \$1 million General Fund to cover litigation expenses related to the State's defense of AB 1493.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal with the following budget bill language:

Of this amount, \$1,000,000 is to cover litigation expenses associated with the State's defense of AB 1493 only.

5. Forestry Protocols

Background. The potential of forestlands to prevent carbon dioxide emissions to the atmosphere and to remove carbon in the atmosphere is widely accepted and scientifically proven. The forestry protocols statute provided a mechanism for the voluntary reporting and management of forestlands in an effort to increase the potential to sequester carbon. The forestry protocols

were developed over a four-year period that involved numerous stakeholders and that were unanimously ratified by the California Board of Forestry. In the *2006-07 Budget Act*, the Legislature sunset in a trailer bill a 2000 statute that created the California Climate Action Registry and that action also caused a simultaneous sunset of a 2002 statute that provided the statutory foundation for the forestry protocols.

The forestry protocols provided for the voluntary reporting, monitoring, and verification guidance for landowners who chose to manage their lands consistent with those protocols. The forestry protocols, and other industry protocols, are now assigned to the Air Resources Board (ARB) through a provision in AB 32. The forestry protocol, and other industry protocols, may be amended to reflect new conditions and new information.

Staff Recommendation. The Subcommittee may want to direct staff to write trailer bill language requiring the ARB to adopt the currently sunset forestry protocols and the language that originally established them. Such trailer bill language should not limit the ability of future ARB actions to incorporate the best available scientific information.

3910 California Integrated Waste Management Board

6. Implementation of the California Global Warming Solutions Act

Background. The California Integrated Waste Management Board (CIWMB) has jurisdiction over solid waste landfills, which are one of the largest sources of greenhouse gases in the state. Organic materials, such as yard trimmings and wood debris, comprise 30 percent (12 million tons) of what is landfilled, and paper alone comprises another 21 percent (over 8 million tons). These materials generate methane, which has 23 times the greenhouse gas effect as carbon dioxide.

Proposed Actions. The CIWMB intends to implement both solid waste landfill gas and reduced waste strategies to meet the statutory year 2020 greenhouse gas emissions limit. The three strategies that the CIWMB intends to undertake are:

1. Increasing recovery of recyclables to achieve and maintain the 50 percent statewide diversion goal.
2. Implementing additional recycling, composting, and other technologies to move towards zero waste.
3. Improving landfill gas (methane) recovery.

The requested position would:

- Staff the Climate Action team and its subgroups established to conduct economic analyses and market based options.
- Identify and quantify strategies.

- Coordinate the development of work plans, timelines, and cost-benefit analyses.
- Aide in the establishment of priorities and coordinate research activities.
- Work through legislative changes that are required.
- Coordinate with the Air Resources Board in the development of a mandatory reporting system, measures, and regulation to achieve greenhouse gas reductions.
- Monitor and report on progress.
- Facilitate the implementation of diversion solutions that achieve the greenhouse gas emission reduction targets.

The contract funding will be used to conduct research for life-cycle assessment, detailed economic and market analyses, and analysis of landfill gas recovery technologies and efficiencies.

Governor's Budget. The Governor's Budget proposes \$618,000 from the Integrated Waste Management Account for one permanent position to work on AB 32 implementation and contract funds (\$500,000).

Staff Analysis. The main strategies that CIWMB intends to pursue to reduce greenhouse gases lack detail. The CIWMB clarified direction verbally at a meeting with staff, but the more focused direction should be written in budget bill language. As explained to staff, the CIWMB intends to examine waste stream diversion possibilities and analyze the precise greenhouse gas emissions from landfill waste.

The proposal leaves the most important component, landfill gas recovery, to consultant work. The CIWMB should report to the Subcommittee on whether or not it has the intent to develop in-house expertise on landfill gas recovery.

Staff Recommendation. Staff recommends the Subcommittee hold this item open and direct staff, the Legislative Analyst's Office, the Department of Finance, and the agency to work on a revised work plan for the California Integrated Waste Management Board.

3960 Toxic Substances Control

7. Achieving California Global Warming Solutions

Background. The Department of Toxic Substances Control (DTSC) is responsible for permitting and authorizing the treatment of hazardous waste facilities. There are 130 permitted and/or authorized hazardous waste facilities in the state. In addition, there are approximately 20 closed hazardous waste landfills that received mixed wastes during operations.

There are three primary sources of air emissions at hazardous waste facilities: 1) processing units, 2) equipments leaks, and 3) tanks, surface impoundments, and containers.

Since 1990, the United States Environmental Protection Agency (USEPA) has mandated through the Resource Conservation and Recovery Act that organic air emissions from hazardous waste be controlled. The DTSC has received authorization from the USEPA to administer the State Hazardous Waste Program in lieu of the Resource Conservation and Recovery Act.

Under the existing law, large quantity generators and owner/operators of hazardous waste treatment, storage, and disposal facilities must monitor and control the release of air emissions from volatile organic hazardous wastes. Current law requires process unit vents for units that manage hazardous waste that has an annual average total organic concentration of ten parts per million by weight or greater. Also, if a facility manages hazardous waste that contains organic concentrations of ten percent by weight then equipment leak standards apply. Also, under current law, if the hazardous waste contains greater than 500 parts per million by weight, then the facility must control volatile organic compounds air emissions from containers, surface impoundments, and tanks using either engineering controls, vapor collection systems, and/or management approaches. These requirements do not apply to small quantity generators and conditionally exempt small quantity generators.

Proposed Actions. DTSC is anticipating that the Air Resources Board (ARB) will develop new regulations that will apply to hazardous waste facilities emissions. If so, the hazardous waste facilities not meeting the new criteria will require equipment upgrades and/or changes to their operations to comply with the requirements, and DTSC must modify their permits.

DTSC is proposing to carry out life-cycle analyses to identify potential toxic releases or unintended environmental consequences. DTSC is also proposing to assist in carrying out multi-media assistance to California businesses on greenhouse gas reducing processes that consider overall societal benefits, including reductions in other air pollutants, diversification of energy sources, and other benefits to the economy, environment, and public health.

Specifically, DTSC will:

- Identify lead staff to establish contact with ARB and the California Integrated Waste Management Board staff working on implementation of AB 32
- Form an internal workgroup with technology and air emission expertise to oversee permit conditions and provide input as needed.
- Evaluate and modify existing permit conditions at facilities that are likely contributors and/or precursors to greenhouse gases.
 - Prioritize facilities by their potential greenhouse gas impact and inspect each facility.
 - Gather and evaluate monitoring data.
 - Identify immediate corrections.
 - Develop good practices guidance.
 - Modify permit conditions as required.
- Evaluate closed hazardous waste landfills.
- Identify remediation technologies with potential to reduce or contain emissions from sites during and after closure and/or remediation.

Governor's Budget. The Governor's Budget proposes \$115,000 from the Hazardous Waste Control Account for one position to support the development and implementation strategies towards achieving the goals of reducing greenhouse gas emissions.

Staff Analysis. The proposal is to reexamine existing practices for effectiveness, not to develop new practices or to expand enforcement activities. The DTSC should provide a report on January 10, 2008, explaining what potential steps the department could take to further reduce greenhouse gas emissions from hazardous waste facilities.

Staff Recommendation. Staff recommends the Subcommittee hold this item open and direct staff to write Supplemental Reporting Language as discussed in the staff analysis.

8570 Department of Food and Agriculture

8. Implementation of the Global Warming Solutions Act of 2006

Background. Enteric fermentation is the process of feed digestion by ruminant animals, primarily dairy and beef cattle. This process results in methane emission from the animals. Methane is a greenhouse gas and the cattle emit large quantities of methane. Feed rations are a complex system that not only provides nutrition to the animal, but also provides cost-effective and efficient use of other agricultural byproducts including food processing residuals, fruit culls, almond hulls, cotton seed, and even rice straw. It is currently not known how the various diets influence emissions from cattle.

Different soils and plants are able to sequester carbon at different levels. California has over 300 different soil types. For farmers to accept conservation tillage techniques and cover crops there would need to be demonstration of cost, yield, quality, pest management, and other factors.

Proposed Actions. The California Department of Food and Agriculture (CDFA) is proposing to support directed scientific and economic studies necessary to identify, demonstrate, and quantify performance of specific greenhouse gas emissions reduction strategies. These studies will focus on enteric fermentation (or direct greenhouse gas emissions from animals) and soil carbon sequestration in the agricultural sector.

For enteric fermentation, CDFA would establish a research initiative to quantify emission changes from enteric fermentation resulting from changing feed regimens versus productivity impacts.

For soil carbon sequestrations, CDFA would study the benefits from implementing conservation tillage and cover crops for the various California soil types.

Governor's Budget. The Governor's Budget proposes \$331,000 in reimbursements for two permanent positions to study reduction in enteric fermentation and increases in soil carbon sequestration.

Staff Recommendation. Staff recommends the Subcommittee hold this item open.

3860 Department of Water Resources

9. Proposition 84 Multi-Benefit Planning and Feasibility Studies

Background. Department of Water Resources (DWR) intends to initiate two specific types of on-going studies, in cooperation with other State agencies to evaluate, in greater detail, the anticipated effects of climate change on California rivers and waterways. DWR intends to use the information from the studies to redesign existing systems to minimize flood impacts, maintain water supplies, and minimize environmental impacts to fish and to riparian habitats. Coastal waterways and inland estuaries, such as the Delta, will also be studied to identify impacts from rising sea levels, so that recommendations can be developed to address specific problems. These studies are:

- Promotion of Urban and Agricultural Water Conservation
- Completion of CALFED Surface Storage Studies
- Integration of Flood Management and Water Supply Systems
- Implementation of the California Water Plan Recommendations
- Development of a Delta Vision and Strategic Plan

Proposed Actions. The five positions requested would work on reducing greenhouse gas emissions from water management activities, including increasing hydropower production, increasing water use efficiency, and reducing water use.

Governor's Budget. The Governor's Budget proposes \$64,725,000 in Proposition 84 bond funds for the Department of Water Resources to conduct studies on global climate change, water storage, water conservation, and the Delta Vision.

A spring Finance Letter amends the Governor's proposal to further request five new positions to work on climate change-related water issues at the DWR.

Staff Recommendation. Hold open for May hearing on Proposition 84 bond funded issues.

3360 Energy Commission

10. Energy Related Climate Strategy Analysis

Background. The California Energy Commission (CEC) has jurisdictional authority over energy efficiency and renewable energy in publicly owned utilities. The CEC also has experience with activities related to climate change, such as reports on emission reduction strategies, creation of a climate change research and development program, and incorporation of climate change in the state's energy planning documents.

Proposed Actions. The CEC is proposing to:

- Provide technical support to the Air Resources Board (ARB) in the establishment of 1990 emissions levels and evaluation of energy-related emission reduction measures for early action and the scoping plan.
- Acquire and provide data and information on maximum technical feasibility of greenhouse gas emission reduction associated with energy demand and energy supply.
- Provide technical assistance, information outreach, and feasibility assessment funding to local governments, industry owners, and other entities to facilitate development of energy-related projects that reduce greenhouse gas emissions.
- Support activities of the Climate Action Team.
- Provide technical guidance to the ARB on a broad range of provisions in the statute related to the California Climate Action Registry.
- Coordinate with the ARB on all relevant plan elements as directed in the statute.
- Support the ARB in development and operation of an Economic and Technical Advancement Advisory Committee.
- Assist the ARB in development of market-based mechanisms, alternative compliance mechanisms, regulatory programs, and voluntary actions.

The contract funds will be used for technical support on strategy development, identification and evaluation of implementation mechanisms, data and information sources, economic impacts, and interaction effects among related strategies. Once specific energy-related strategies have been adopted by the Climate Action Team and ARB, the contractor support would be shifted towards design and implementation issues.

Governor's Budget. The Governor's Budget proposes \$1,110,000 from the Energy Resources Programs Account for five permanent positions and contract funds (\$500,000) for analytical work to support the implementation of emissions reduction strategies in the energy sector.

Staff Analysis. The CEC is proposing five new permanent positions, one of which would be responsible for greenhouse gas analysis related to the strategies proposed for alternative fuels. However, the CEC is requesting positions to study the use of alternative fuels in item #10. Thus, it may be prudent to consider changing the one position dedicated to alternative fuels in this proposal to a position dedicated to researching land-use policy and energy linkages.

It may be prudent to approve the five permanent positions with one position dedicated to land-use and energy policy research. Also, the Subcommittee may wish to consider approving the \$500,000 in contract funds as two-year limited funds.

Staff Recommendation. Staff recommends the Subcommittee hold this item open.

11. Climate Change: Increasing the Use of Alternative Fuels

Background. The transportation sector is the largest source of greenhouse gases in California. In its 2003 Energy Report, the California Energy Commission (CEC) adopted a specific non-petroleum fuel use goal to increase the use of non-petroleum fuel to 20 percent by 2020.

AB 1007 (Pavley, 2005) requires that, not later than June 30, 2007, the CEC in partnership with the Air Resources Board (ARB) and in consultation with relevant state agencies, develop and adopt a state plan to increase the use of alternative transportation fuels. According to AB 1007, the CEC is supposed to provide administrative and technical support to ARB in the areas of alternative fuel refueling stations, biofuels production incentives, and transportation research and development.

Proposed Actions. To develop the plan required by AB 1007 and the Governor's alternative fuel directives, the CEC will have to expand its alternative fuels work to include: 1) updating and expanding fuel-cycle analyses, 2) ensuring no net emissions increase, 3) researching options for maximizing in-state alternative fuel production, 4) encouraging consumer use of alternative fuels, and 5) evaluating incentives and other means for increasing the siting of alternative fuel refueling stations throughout California.

Specific tasks the CEC would undertake are:

- Identify the market potential for alternative fuels and recommends those alternative fuels for financial support.
- Develop criteria for locating refueling stations at selected sites throughout California for the best candidate fuels.
- Recommend criteria for awarding fuel production incentives to producers of clean, renewable transportation fuels.
- Manage specific projects that result from grants or loans awarded by ARB for refueling stations and technology development projects.
- Develop a consumer education and public outreach program to publicize the availability of state funding.
- Develop a joint strategic research plan to guide transportation research and development.
- Establish stakeholder advisory committees to provide advice and input to develop an aggressive alternative fuels program.

Governor's Budget. The Governor's Budget proposes \$466,000 from the Energy Resources Program Account for four permanent positions to support a joint CEC-ARB 5-year plan to increase the use of alternative fuels in California.

Staff Recommendation. Staff recommends the Subcommittee hold this item open.

8660 Public Utilities Commission

12. AB 32 – Climate Change Activities

Background. Currently, the Public Utilities Commission (PUC) Administrative Law Judge Division has eight full-time employees assigned to major energy proceedings, including long-term procurement, energy efficiency, and the implementation of renewable energy initiatives. During 2006-07, the Legislature authorized six positions to research climate change at the PUC. Of those six positions, the PUC has filled five.

Proposed Actions. The positions requested are one Administrative Law Judge and two legal analysts. The senior level Administrative Law Judge would oversee the climate initiatives and integrate that work with the ongoing energy proceedings of the PUC. The legal analysts would provide paralegal support.

Consultant would be used for: 1) assistance with modeling the costs and benefits of various greenhouse gas emissions cap scenarios to the power sector in California, and 2) funding for protocol development for measuring and verifying greenhouse gas emissions reductions in the power sector.

Governor's Budget. The Governor's Budget proposes \$1,272,000 from the Public Utilities Commission Utilities Reimbursement Account for three permanent positions for legal support in major climate change-related proceedings and contract funds (\$1 million).

LAO Recommendation. The LAO notes that during a recent PUC hearing on climate change, the PUC publicly stated its intent to establish a cap-and-trade market mechanism on emissions for investor-owned utilities (currently regulated by the PUC) and publicly owned utilities (currently not regulated by the PUC). The PUC also stated its intent to conduct a proceeding to determine the base year for the cap-and-trade program. (In cap-and-trade programs that have been established elsewhere, the government sets a limit on, or "caps" emissions, issues a limited number of emissions allowances, and allows regulated sources to buy and sell, or "trade" those emissions allowances.)

The LAO finds PUC's intention to hold climate change-related proceedings, and in particular its intention to move ahead with a very specific market mechanism, contrary to the intent of AB 32. This is because the act charges Air Resources Board (ARB) with identifying and establishing greenhouse gas emission reduction measures, and with determining whether those measures will include market-based mechanisms. AB 32 also clearly established a greenhouse gas emissions base year of 1990, making the PUC's determination of a baseline unnecessary.

Given that the PUC's budget request inappropriately moves ahead of the statutorily directed effort at ARB, the LAO recommends that the Legislature deny the request for \$1.3 million for the PUC. The LAO also recommends adoption of budget bill language to prohibit the PUC from spending resources to develop and/or implement market mechanisms:

Item 8660-001-0462. Of the funding appropriated in this or any other item, no funds may be expended by the commission in connection with the implementation of market mechanisms as a greenhouse gas (GHG) emission reduction strategy until the Air Resources Board has completed its statutorily required statewide GHG emissions reduction plan, has included these mechanisms in the plan, and has directed the commission to begin to implement them.

Staff Analysis. In addition to the concerns raised by the LAO, the proposal would make the \$1 million for consultants a part of the PUC's baseline budget for climate change. Since the tasks the consultants would work on will not last indefinitely, it is appropriate to augment the consultant fees as two-year limited funds (\$1 million annually for the next two years).

Staff Recommendation. Staff recommends the Subcommittee hold this item open to allow the LAO and PUC to draft budget bill language to prohibit the PUC from implementing market based mechanisms without Legislative approval.

3900 State Air Resources Board

Background. The Air Resources Board (ARB), along with 35 local air pollution control and air quality management districts, protects the state's air quality. The local air districts regulate *stationary sources* of pollution and prepare local implementation plans to achieve compliance with federal and state standards. The ARB is responsible primarily for the regulation of *mobile sources* of pollution and for the review of local district programs and plans. The ARB also establishes air quality standards for certain pollutants, administers air pollution research studies, and identifies and controls toxic air pollutants.

Governor's Budget. The Governor's Budget proposes \$375 million to support the ARB in 2007-08. This is a 23 percent increase from estimated expenditures in the current year due to an increase in available bond funds. General Fund support for the ARB is also increasing by over 50 percent.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Mobile Source	\$ 269,938	\$ 330,468	\$ 60,530	22.4
Stationary Source	43,803	53,033	9,230	21.1
Subvention	10,111	10,111	0	0
Capital Outlay	120	1,000	880	733.3
Administration	11,960	13,926	1,966	16.4
<i>less distributed administration</i>	<i>-11,960</i>	<i>-13,926</i>	<i>-1,966</i>	<i>16.4</i>
Total	\$ 323,972	\$ 394,612	\$ 70,640	21.8
Funding Source				
General Fund	\$ 2,280	\$ 3,435	\$ 1,155	50.7
Special Funds	302,913	275,639	-27,274	-9
Bond Funds	0	96,500	96,500	100
<i>Budget Act Total</i>	<i>305,193</i>	<i>375,574</i>	<i>70,381</i>	<i>23.1</i>
Federal Trust Fund	13,778	13,963	185	1.3
Reimbursements	5,002	5,075	73	1.5
Total	\$ 323,973	\$ 394,612	\$ 70,639	21.8

Vote-Only Items

1. Mobile Source Certification Augmentation and Compliance Validation

Background. Recently passed statutes going into effect in 2007 will regulate mobile source pollution. These multiple statutes deal with criteria pollutants, such as hydrocarbons, oxides of nitrogen, and carbon monoxide, as well as toxic air contaminants, such as diesel particulates and formaldehyde. AB 32 (Nunez, 2006) also regulates greenhouse gases for the first time ever. In addition to these new statutes, the Governor's Environmental Action Plan calls for a reduction in air pollution by 50 percent.

The Air Resources Board (ARB) has the responsibility of certifying all new vehicles and engines (for both on-road and off-road applications) for emission compliance. Over the past ten years, the number of mobile source categories certified by the ARB has more than doubled, while the number of Executive Orders has tripled.

In addition to testing prior to introducing a vehicle to the market, manufacturers of light- and medium-duty vehicles and trucks, as well as recreational marine engines, are required to conduct emission testing of vehicles and engines after 3-5 years of use to validate their emissions performance. To streamline the certification process, the ARB has implemented a pilot document management system, an electronic certification application system that allows manufacturers to submit application documents and data via the Internet.

Governor's Budget. The Governor's Budget proposes \$1,190,000 from the Motor Vehicle Account for 9 permanent positions to maintain and augment the mobile source certification programs and to validate the in-use emissions compliance of these vehicles and engines. Specifically, these positions would:

- Augment the certification programs for on- and off-road vehicles and engines due to increased certification requirements – 5 positions.
- Administer the division's electronic certification application system (Document Management System) that responds to manufacturers' needs for streamlined certification process – 2 positions.
- Audit emissions testing of in-use vehicles and engines that manufacturers are required to test to validate compliance with the emission standards – 2 positions.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

2. Implementation of the Diesel Health Risk Management Program

Background. In 2000, the Air Resources Board (ARB) adopted a Diesel Health Risk Management Plan, which calls for reducing diesel particulate matter levels by 75 percent from

2000 baseline levels by 2010, and by 85 percent by 2020. The Diesel Health Risk Management Plan is a multi-faceted plan that included verification of newly developed diesel emissions control strategies, incentive funding, and regulations requiring diesel emission reductions from existing fleets.

In 2004 and 2005, the ARB adopted three regulations that affect public transit, solid waste collection, and public and utility fleets. These new regulations mandate reducing diesel emissions from over 50,000 heavy-duty diesel vehicles and require over 1,200 transit, city, county, special district, state, federal, solid waste, and utility fleet operators to comply with the newly-developed regulations.

In addition to these existing regulations, the ARB intends to initiate the implementation of new in-use vehicle control measures applicable to all mobile off-road diesel equipment 25 horsepower and greater, and on-road heavy duty vehicles owned by private fleets. These new regulations would mainly impact the construction and trucking sectors.

Governor's Budget. The Governor's Budget proposes \$1,259,000 (\$917,000 on-going, \$342,000 one-time) from the Motor Vehicle Account for seven permanent positions and equipment for implementation of regulations adopted to reduce risk from diesel particulate matter. Specifically, these positions would:

- Enforce the Fleet Rule for Public Fleets – 3 positions.
- Work on the existing Periodic Smoke Inspection Program – 2 positions.
- Conduct in-use compliance testing using Portable Emissions Monitoring Systems – 2 positions.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

3. Regulation of Indoor Air Cleaning Devices

Background. AB 2276 (Pavley, 2006) requires the Air Resources Board (ARB) to develop and adopt regulations by December 31, 2008, to protect public health from ozone emitted by indoor air cleaning devices used in occupied spaces. Ozone is the main component of smog, and has extensive harmful health effects on humans, including permanent lung damage. The ARB and others have tested some indoor air cleaning devices and found that they produce concentrations of ozone several times higher than health-based standard levels.

Developing the new regulations will require the ARB to review existing test methods, hold public workshops with stakeholders, meet with affected industries, and review initial test data from manufacturers.

Governor's Budget. The Governor's Budget proposes \$94,000 General Fund for 0.8 permanent positions to implement AB 2276, and enforce and update the regulations.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

4. Implementation of AB 679

Background. AB 679 (Calderon, 2005) requires the Air Resources Board (ARB) to not prohibit importation of diesel fuel into California that meets the California diesel fuel blends being certified for sale in California. AB 679 also requires the ARB to convene a panel of interested parties to develop a test protocol for the evaluation of ARB diesel fuel, and to recommend to the executive officer of the state board a subsequent test program that measures the emissions benefits of ARB diesel fuel. The test protocol must be completed by December 31, 2007.

Governor's Budget. The Governor's Budget proposes \$1 million in one-time funds from the Motor Vehicle Account for contracts to develop a test protocol for the evaluation of California diesel fuel and to conduct a test program that measures the emissions benefits of California diesel fuel.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

5. Zero-Emission Vehicle and Infrastructure Implementation Support Program

Background. Transportation is California's largest source of carbon dioxide, with passenger vehicles and light duty trucks creating more than 30 percent of total climate change emissions. The Air Resources Board (ARB) began controlling emissions from vehicles in the 1960s, but gains in emissions reductions have been negated through continued growth in the state's vehicle population and the number of miles being driven by each vehicle. In their 2003 Petroleum Dependence Report, the California Energy Commission and the ARB stated that to provide the greatest social benefit from reduced pollution at a cost savings it would be necessary to achieve a 20 percent utilization of alternative fuels by 2020 and 30 percent utilization by 2030.

The Zero Emission Vehicle (ZEV) regulation requires automakers to demonstrate and commercialize zero emission vehicles. The ZEV regulation also allows automakers to comply with a portion of their obligation with ZEV enabling technologies, such as hybrid vehicles, plug-in hybrid electric vehicles, hydrogen internal combustion engine vehicles and compressed natural gas vehicles. The Hydrogen Highway is one way of working toward the ZEV effort. Currently, there is no regulation requiring energy suppliers to build hydrogen stations.

Past co-funding for the establishment of public hydrogen refueling stations were awarded to San Diego City Schools, Pacific Gas and Electric, and California State University Los Angeles.

Governor's Budget. The Governor's Budget proposes \$6,033,000 (\$1,033,000 on-going, \$5 million one-time) from the Motor Vehicle Account for continued implementation of the Hydrogen Highway Blueprint Plan, making six temporary positions permanent, and adding two permanent positions.

The \$5 million in one-time funds would be used for up to 50 percent matching funding for up to eight hydrogen fueling stations. This proposed funding would target placement of four small-

scale stations utilizing flexible “drop and swap” strategies. This proposal would also target installation of up to four hydrogen refueling stations demonstrating promising and innovative renewable hydrogen production pathways such as biomass conversion, advanced photovoltaic and wind energy.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

Discussion Items

6. Lower-Emission School Bus Program

Background. In 1998, following a ten-year study, the Air Resources Board (ARB) identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. The ARB 2003 Children’s School Bus Exposure Study indicates that children who ride school buses likely have increased exposure to diesel PM, as diesel exhaust levels inside the bus are higher than those in passenger cars on the road. The exposure was highest in school buses.

Currently, there are about 27,000 school buses in California. Of these, approximately 4,000 public school buses use engines built before 1987 and are extremely high-polluting. It is difficult to retrofit pre-1987 school buses because in 1987 new vehicle emissions standards went into effect that changed how the engines were built.

Pre-1977 school buses are of special concern because they do not meet the 1977 minimum federal motor vehicle safety standards. The state has already spent approximately \$100 million to replace pre-1977 school buses, but 210 such buses remain in service.

Governor’s Budget. The Governor’s Budget proposes \$96.5 million from Proposition 1B for two years to replace and retrofit diesel school buses. With these funds, 535 pre-1987 school buses would be replaced each year and 1,500 diesel school buses would be retrofitted with devices that reduce PM emissions by 85 percent. As part of the school bus replacement, all pre-1977 school buses would be replaced.

Staff Recommendation. Hold open until vote on November bond fund items in May.

7. Environmental Enforcement – Informational Issue

Background. In the *2006-07 Budget Act*, the Legislature provided the Air Resources Board \$4 million for increased enforcement presence and for improving the effectiveness of the ARB’s existing enforcement programs.

Questions:

1. What steps has ARB taken to strengthen its existing enforcement programs?

3910 California Integrated Waste Management Board

Background. The California Integrated Waste Management Board (CIWMB), in conjunction with local agencies, is responsible for promoting waste management practices aimed at reducing the amount of waste that is disposed in landfills. The CIWMB administers various programs that promote waste reduction and recycling, with particular programs for waste tire and used oil recycling. The board also regulates landfills through a permitting, inspection, and enforcement program that is mainly carried out by local enforcement agencies that are certified by the board. In addition, CIWMB oversees the cleanup of abandoned solid waste sites.

Governor's Budget. The Governor's Budget proposes \$198.4 million to support CIWMB in the budget year. This is nearly the same level of support as in the current year. The board does not receive any General Fund support.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Waste Reduction and Management	\$ 201,188	\$ 201,169	-\$19	0
Administration	9,195	9,195	0	0
<i>less distributed administration</i>	-9,195	-9,195	0	0
<i>less loan repayments</i>	-2,042	-2,042	0	0
Total	\$ 199,146	\$ 199,127	-\$19	0
Funding Source				
Special Funds	\$ 198,218	\$ 198,485	\$ 267	0.1
Bond Funds	150	0	-150	-100
<i>Budget Act Total</i>	<i>198,368</i>	<i>198,485</i>	<i>117</i>	<i>0.1</i>
Federal Trust Fund	91	0	-91	-100
Special Deposits Fund	351	307	-44	-12.5
Reimbursements	336	335	-1	-0.3
Total	\$ 199,146	\$ 199,127	-\$19	0

Vote-Only Items

1. Education and the Environment Initiative

Background. SB 926 (Torlakson, 2001) created the Office of Education and the Environment within the California Integrated Waste Management Board (CIWMB). AB 1548 (Pavley, 2003) directed the development of the Education and the Environment Initiative (EEI) model curriculum, obtain approval of the EEI model curriculum from the State Board of Education, and make the EEI model curriculum available to California's K-12 public schools.

The Office of Education and the Environment is required to comment on any regulatory or enforcement actions taken by CalEPA, Resources Agency boards, departments, or offices that require the development of or encourage the promotion of environmental education for elementary and secondary school pupils. The Office of Education and Environment must also ensure materials produced and distributed in public schools are aligned to the Education Principles and Concepts, and coordinate with all state agencies to develop and distribute environmental education materials.

The *2005-06 Budget Act* provided CIWMB \$7 million and 5.5 permanent positions for the EEI program.

Governor's Budget. The Governor's Budget proposes \$695,000 from the Integrated Waste Management Account to make 5.5 limited-term positions permanent for the support of the Education and Environment Initiative.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

2. Medical Waste Management Act Implementation

Background. SB 1305 (Figueroa, 2006) amended the existing Medical Waste Management Act to exclude home-generated sharps waste (needles) from the definition of medical waste. In addition, SB 1305 prohibits by September 1, 2008, the placement of sharps waste into containers used to collect solid waste and other recyclable materials. Due to the change in sharps waste definition, the management and implementation of SB 1305 is the responsibility of the California Integrated Waste Management Board (CIWMB).

Sharps waste is generated when people inject themselves with medications. It is estimated that three percent of the general population inject medications outside traditional health care facilities. Health officials estimate that in California there are approximately 389 million units of home-generated sharps waste annually. This sharps waste poses a health risk to workers collecting solid waste.

Sharps waste will now have to be taken to household hazardous waste facilities or designated drop-off points. Currently, there are 190 home-generated sharps consolidation points located in 26 counties.

Governor's Budget. The Governor's Budget proposes \$129,000 from the Integrated Waste Management Account for one permanent position to train local enforcement agencies and solid waste facility operators; inspect facilities; take appropriate enforcement actions; develop information for and conduct public education activities; collect, review, and analyze data from household hazardous waste facilities; and monitor the development of sharps collection infrastructure.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

3. Auditor Positions

Background. Currently, the California Integrated Waste Management Board (CIWMB) has two auditors and uses the Department of Finance Audit Services to conduct audits. Over the last seven fiscal years, CIWMB's budget has grown from \$72 million to \$190 million. Despite the increase in the department's budget, the audit staff did not grow during that time period.

During 2005-06, the CIWMB awarded over 500 grants and about 90 contracts. Currently, with existing resources, the CIWMB is able to audit less than one percent of these contracts and approximately five percent of grants awarded.

Currently, CIWMB relies on the Department of Finance auditing services to conduct some of their audits. Existing statute requires that the CIWMB have an outside audit of their accounting, so some reliance on consultants will remain even if the Legislature approves additional auditor positions for the CIWMB.

Governor's Budget. The Governor's Budget proposes \$518,000 from various special funds for five permanent auditor positions to conduct financial, performance, and other service audits.

The funding for these positions will come from:

- Integrated Waste Management Account – \$155,000
- California Used Oil Recycling Fund – \$155,000
- California Tire Recycling Management Fund – \$155,000
- Electronic Waste Recovery and Recycling Account – \$53,000

The additional auditors would allow the CIWMB to raise their audits to five percent of contracts and ten percent of grants.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

4. Increase Household Hazardous Waste Grant Appropriation to Include Universal Waste Information and Collection Infrastructure Enhancements

Background. Household Hazardous Waste (HHW) includes such items as batteries, mercury thermostats, fluorescent lights, and electronic devices. HHW is not supposed to be disposed of in the regular waste disposal bins.

There are 109 permanent HHW facilities and 120 recycle-only universal waste and HHW facilities in the state. To contrast, there are 2,800 facilities that collect and recycle oil. Approximately 80 percent of used oil is recycled, while about five percent of the HHW generated in the state is collected at facilities intended to receive HHW.

The HHW grant program provides local governments with grants to develop or expand their HHW facilities. The average grant is \$59,200. The requested increase in funds would fund an additional eight grants.

Governor's Budget. The Governor's Budget proposes \$716,000 from the Integrated Waste Management Account for local assistance grants and two permanent positions for the Household Hazardous Waste grant program.

The requested staff would work on the Universal Waste Team, CIWMB information coordination, data collection and infrastructure assessment, stakeholder partnership development, infrastructure development, and publicity and education.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

5. General Information Technology Support Redirection

Background. The California Integrated Waste Management Board (CIWMB) Information Management Branch (IMB) has experienced a large work-load growth in the last ten years. The number of automated systems (such as databases) the IMB maintains has grown from 46 in 1998 to 72 in 2006 (60 percent increase). Though the overall IMB staff grew during that time, the current staffing level of 30.5 PYs is below the 2001 staffing level of 33.5 PYs.

As the technology and services managed by IMB have grown, the CIWMB has become more reliant on outside consultants to complete work. These consultants are paid at a higher rate than state workers performing the same tasks. For example, a junior programmer with the state earns \$33-40/hour, while a junior level consultant will earn \$40-55/hour.

Governor's Budget. The Governor's Budget proposes a redirection of \$351,000 from Consulting and Professional Services to Distributed Administration. 3.5 positions would be established with the redirected funds to reduce the backlog of application development projects.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

6. Fraud Prevention and Payment System Enhancement in Electronic Waste Recycling Program

Background. SB 20, the Electronic Waste Recycling Act of 2003 (Sher), as amended by SB 50 (Sher) and SB 575 (Wolk), provides a comprehensive financing system for the collection, handling and proper recycling of certain electronic devices.

The California Integrated Waste Management Board (CIWMB) is in charge of administering the Act's cost determination, payment system documentation, claims processing, recycling rates and manufacturer reporting. CIWMB administers a payment system to disburse funds to authorized electronic waste collectors and recyclers for the handling and processing of certified electronic waste. The Program went into effect in 2005, and received about \$31 million in payment claims during 2005. During 2006, the payment claims were about \$61 million.

Governor's Budget. The Governor's Budget proposes \$435,000 from the Electronic Waste Recovery and Recycling Account for five permanent positions to implement the Electronic Waste Recycling Act. These positions would be:

- 3 Integrated Waste Management Specialist positions to implement fraud prevention and compliance assistance
- 2 Associate Governmental Program Analysts positions to implement and enhance the recovery and recycling payment system

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

7. Landfill Closure and Post-Closure Maintenance

Background. AB 2296 (Montanez, 2006) requires the California Integrated Waste Management Board (CIWMB) to conduct a study by January 1, 2008, to define conditions that could potentially have long-term effects on solid waste landfills and to examine financial assurance mechanisms to protect the state from long-term post-closure maintenance and corrective action costs at these facilities. AB 2296 also requires the CIWMB to adopt regulations and develop recommendations for legislation based upon the study results by July 1, 2009.

Governor's Budget. The Governor's Budget proposes \$552,000 (\$318,000 on-going, \$234,000 one-time) from the Integrated Waste Management Account for two permanent positions and contract funds to meet the requirements of AB 2296.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

Discussion Items

8. Tire recycling

LAO Analysis. Waste tires are diverted for a number of productive end uses, such as crumb rubber—wire-free tire shreds of varying sizes—and rubberized asphalt concrete (RAC)—paving material that is a blend of crumb rubber, asphalt, and other materials. In 1990, the Waste Tire Recycling Management Program was created. At the program's inception, the state diverted 34 percent of waste tires from landfills to other productive end uses. As of 2005 (the last year for which data are available), the rate of waste tire diversion was 75 percent, or 30.6 million tires diverted out of 40.8 million tires generated.

At the program's inception, there were many large, preexisting piles of illegally stored waste tires throughout the state. The CIWMB reports that between 1994 and 2002, it identified 894 illegal tire sites that collectively held 6.1 million waste tires.

Through the CIWMB's enforcement efforts, it has been able to bring about the cleanup and/or proper storage of waste tires at nearly all of the 894 illegal tire sites, including the Tracy and Westley tire piles—sites of large, long-burning tire fires that occurred in the late 1990s. In recent years, the CIWMB has contracted with the California Highway Patrol for use of its helicopters to identify remote tire piles. The CIWMB newly identifies fewer large, illegal tire piles every year.

The waste tire recycling program is supported entirely by fees. Currently, the fee is \$1.75 per tire, collected when the tire is purchased. The CIWMB's portion of the fee was statutorily set to decrease from \$1.00 to 75 cents on December 31, 2006. However, at hearings on the 2006-07 budget, the Legislature revised statute so that CIWMB's portion of the fee remains at \$1.00. In retaining the higher fee, the Legislature recognized an opportunity for the board to expand efforts to divert the roughly 10.2 million waste tires disposed of in California landfills each year. However, the Legislature did not give specific direction regarding which board activities to increase waste tire diversion it wanted CIWMB to expand

LAO Recommendation. The LAO thinks that the CIWMB is best positioned to identify those additional efforts most likely to increase the number of waste tires diverted from the state's landfills, as well as to advise the Legislature of the policy choices that may be inherent in such efforts warranting legislative evaluation. Therefore, the LAO recommends the adoption of the following supplemental report language:

Item 3910-001-0226. The California Integrated Waste Management Board shall submit a report to the Legislature by July 10, 2008, that identifies the following:

1. A history of revenues, expenditures, and balances of the California Tire Recycling Management Fund since its inception, and projection of such information for 2008-09 and the subsequent two fiscal years.
2. A history of waste tire diversion rates and end uses, and projection of such rates and uses for 2007 and the subsequent three years.

3. Identification and assessment of the costs and effectiveness of options to increase the rate of diversion of waste tires from disposal in landfills.
4. Any statutory changes that would assist the board's efforts to increase the diversion rate.

Staff Recommendation. Staff recommends the Subcommittee adopt the Supplemental Report Language proposed by the LAO.

3930 Department of Pesticide Regulation

Background. The Department of Pesticide Regulation (DPR) administers programs to protect the public health and the environment from unsafe exposures to pesticides. The department: (1) evaluates the public health and environmental impact of pesticides use; (2) regulates, monitors, and controls the sale and use of pesticides in the state; and (3) develops and promotes the use of reduced-risk practices for pest management. The department is funded primarily by an assessment on the sale of pesticides in the state.

Governor's Budget. The Governor's Budget proposes \$65.8 million to support the DPR in 2007-08, which is a four percent increase over the level of expenditures as in the current year. The department does not receive any General Fund support.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Pesticide Programs	\$ 65,855	\$ 68,884	\$ 3,029	4.6
Administration	9,342	9,368	26	0.3
<i>less distributed administration</i>	-9,342	-9,368	-26	0.3
Total	\$ 65,855	\$ 68,884	\$ 3,029	4.6
Funding Source				
Special Funds	\$ 63,048	\$ 65,849	\$ 2,801	4.4
<i>Budget Act Total</i>	<i>\$ 63,048</i>	<i>\$ 65,849</i>	<i>\$ 2,801</i>	<i>4.4</i>
Federal Trust Fund	2,200	2,229	29	1.3
Reimbursements	606	806	200	33
Total	\$ 65,854	\$ 68,884	\$ 3,030	4.6

Vote-Only Items

1. Pesticide Pollution Prevention Grant Program

Background. The Department of Pesticide Regulation (DPR) has regulatory authority to protect the environment and human health from potential adverse impacts due to pesticide use. Pesticides are used in agriculture, as well as in and around homes, hospitals, and other buildings.

The DPR had a successful grant program that promoted the development of integrated pest management systems that reduced or completely eliminated environmental pollution from pesticides. The integrated pest management systems looked for alternatives to pesticides. From 1995 to 2003, the DPR awarded approximately \$8 million for projects conducted in over 38 counties, with emphasis on reducing worker exposure, protecting surface and ground water, and alternatives to highly toxic pesticides and fumigants. Then in 2002-03, the program was suspended due to lack of funding.

Governor's Budget. The Governor's Budget proposes \$780,000 from the Pesticide Regulation Fund for two limited-term positions and contract funds to re-start a pesticide pollution prevention grant program. These funds would be for 2007-08 and 2008-09 only.

Staff Recommendation. The staff recommends the Subcommittee approve the budget proposal.

2. Collapse Food Safety Account within the Department of Pesticide Regulation Fund

Background. The Food Safety Account was created in 1990 to provide funding for a number of pesticide programs related to food safety. The Food Safety Account revenue streams have been diverted by legislation to other accounts. Currently, the Food Safety Account is funded solely by a transfer from the Department of Pesticide Regulation Fund. Eliminating the Food Safety Account and moving its responsibilities to the Department of Pesticide Regulation Fund would present minor administrative savings.

Governor's Budget. The Governor's Budget proposes to move the funds within the Food Safety Account to the Department of Pesticide Regulation Fund and end the Food Safety Account as a separate account. Currently, the Food Safety Account has \$316,000 in it.

The Governor has submitted trailer bill language to move the funds from the Food Safety Account to the Department of Pesticide Regulation Fund by June 30, 2009. The statutory funding for programs from the Food Safety Account will become the responsibility of the Department of Pesticide Regulation Fund.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

3. Increase Temporary Help Authority

Background. The Department of Pesticide Regulation (DPR) is facing an aging work force. Currently, 45 percent of DPR's permanent employees are at or above minimum retirement age. Leave credits are unused vacation time an employee has accrued. As permanent employees get ready to retire, some choose to cash out their leave credits by going on an extended vacation prior to actual retirement, rather than requesting a cash payment for their accrued vacation.

While permanent employees are on an extended vacation, the tasks those employees work on are not completed or are shifted to other employees.

During 2003-04 the DPR had three employees retire, but in 2005-06 that number had risen to 12 retirements. During this time DPR has had authority for 6.7 temporary positions. Temporary positions allow the DPR to hire replacement staff for a retiring staff's position, and bring the new person to the workplace for training while the retiring staff is still an employee. This practice is especially helpful when retiring employees choose to take extended vacation prior to leaving state service and a staff member is needed to complete their work.

Governor's Budget. The Governor's Budget proposes to shift \$472,000 in salary savings to 6.2 temporary help positions within the Pesticide Regulation Fund. The net budget impact of this proposal is zero dollars.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

4. Expand the Healthy Schools Act to Private Child Day Care Centers

Background. The Healthy Schools Act of 2000 requires public schools to post notifications about pesticide use and to receive Department of Pesticide Regulation (DPR) training on integrated pest management methods. The school integrated pest management programs focus on long-term prevention or suppression of pest problems through a combination of techniques, including use of nonchemical practices, to make habitat less conducive to pest development, improve sanitation, and employ mechanical and physical pest controls.

AB 2865 (Torrico, 2006) expands the Healthy Schools Act of 2000 to apply to private child day care centers. There are 57,000 child day care facilities in the state, but only 15,000 of them are covered by this law (family child day care homes are exempt). AB 2865 requires licensed pest control businesses to annually submit a pesticide use form to DPR for all pesticide application they make at private child day care facilities; for DPR to promote and facilitate the voluntary adoption of school integrated pest management in child day care facilities; customize materials and make them available to child day care facilities; and provide training to child day care facilities by participating in existing workshops and conferences that provide opportunities to disseminate program information regionally. Participation in the program by child day care facilities is voluntary.

Governor's Budget. The Governor's Budget proposes \$149,000 from the Pesticide Regulation Fund for one permanent position and contract funds to provide outreach materials and presentations to private child day care centers on integrated pest management control.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

5. Pesticide Mitigation Reimbursement

Background. Department of Pesticide Regulation (DPR) is the lead agency for regulating the registration, sale, and use of pesticides. If a pesticide is deemed to pose an unacceptable risk, DPR must impose mitigation measures via regulations, permit conditions, or pesticide product actions. Recently, a study by University of California, Berkeley, found that pyrethroid pesticides pose a significant adverse effect. As a result of the UC Berkeley study, and DPR's own monitoring data, DPR has placed approximately 600 pesticide products containing pyrethroid into reevaluation. In addition to pyrethroid, the DPR is already reevaluating pesticide products containing Chlorpyrifos.

The Coalition for Urban and Rural Environmental Stewardship (CURES), a non-profit coalition of growers, received a grant from the State Water Resources Control Board to evaluate best management practices to reduce the impact of pyrethroids and chlorpyrifos in surface water. CURES has requested to pay the DPR with the grant funds to provide guidance and assist in the evaluation of potential mitigation measures.

Governor's Budget. The Governor's Budget proposes \$255,000 in reimbursement authority for one limited-term position to participate in a project to evaluate mitigation measures for chlorpyrifos and pyrethroid pesticides.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

6. Mitigation of Pesticide Impacts

Background. The Department of Pesticide Regulation (DPR) has programs to evaluate and control pesticide use. DPR has traditionally focused its risk assessment and mitigation measures on highly toxic pesticides with acute adverse health effects, but is now moving toward mitigation measures for other pesticides with longer exposure durations. DPR thinks that to address the risks that have been identified, it will need to develop and evaluate mitigation measures, adopt statewide rules, develop better worker and physician outreach programs, and take additional pesticide product registration actions.

DPR is proposing to complete the following additional tasks with the five requested positions:

- Initiate the reevaluation process to require pesticide registrants to submit additional data, including mitigation measures, for one pesticide active ingredient.
- Complete one reevaluation.
- Develop one-to-two mitigation measures to reduce exposure to workers and others.
- Develop two mitigation measures to reduce emissions from volatile organic compounds and toxic air contaminants.
- Expand worker and physician outreach efforts to key parts of California that have large migrant farmworker communities by participating in an additional three or four regional work groups targeted at worker health.
- Provide 25 training sessions to migrant farmworkers or people who serve migrant farmworkers.

Governor's Budget. The Governor's Budget proposes \$634,000 from the Department of Pesticide Regulation Fund for five permanent positions to develop and evaluate mitigation measures through the adoption of statewide rules, improved occupational outreach programs, and action on pesticide product registrations.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

Discussion Items

7. Pesticide Enforcement and Compliance Improvements

Background. The Department of Pesticide Regulation (DPR) regulates pesticide sales and use. The County Agricultural Commissioners (CAC) have joint authority with DPR to enforce pesticide laws and regulations. The CACs carry out local level enforcement, under the supervision of DPR.

To create consistent enforcement of pesticide regulations in the state, the DPR developed the Enforcement Response Policy, which became formal regulation in 2006. Preliminary reports show that the number of enforcement actions in 2005-06 were more than double of those in 2003-04.

When a proposed fine from an enforcement action is appealed, the CACs are in charge of the administrative appeals hearings. The DPR provides oversight and training through its three regional offices to the approximately 600 CAC staff in the state.

Governor's Budget. The Governor's Budget proposes \$667,000 from the Department of Pesticide Regulation Fund for six permanent positions to provide additional state oversight of field enforcement activities carried out by the county agricultural commissioners and to establish a training program for conducting county agricultural commissioner hearings.

These additional resources would shift the current ratio of one DPR oversight staff for every 38 CAC staff to one DPR staff for every 32 CAC staff.

Staff Recommendation. Staff recommends the Subcommittee reject the budget proposal.

8. Mill Fee on Non-Agricultural Sales

Background. The Mill fee is an assessed fee on all pesticides (agricultural and nonagricultural) at the point of first sale in the state. This fee is paid either by the pesticide manufacturer,

distributor, or retailer. The current mill assessment rate is 21 mills (2.1 cents per dollar of sales). Mill assessment revenues are deposited into the Department of Pesticide Regulation Fund and are the major source of funding for the state's pesticide regulatory programs.

The Department of Pesticide Regulation (DPR) conducted an audit of a statewide retail chain that sells consumer pesticides found substantial sales of pesticide products without the mill assessment being paid. The DPR findings led to the passage of a bill, which required assessment of the mill fee from all sellers of pesticides.

LAO Analysis. The LAO pointed out that there are departments other than DPR that deal with pesticides in some manner, but have not in the past received a portion of the mill fee. These are:

1. **State Water Resources Control Board** – Tasks include: development of total maximum daily loads; aquatic pesticide activity; water monitoring; and impaired water body listings
2. **Office of Environmental Health Hazard Assessment** – Tasks include: community health investigations; medical supervision and physician training; pesticide illness reporting; toxicology and risk assessment; and occupational health and safety
3. **Department of Fish and Game** – Tasks include: aquatic bio-assessment laboratory; emergency response and analysis; and planning and permitting related to fish and wildlife habitat
4. **Department of Health Services** – Tasks include: laboratory work for pesticide illness survey; analysis of pesticide exposure; Environmental Laboratory Accreditation Program; and Sentinel Event Notification of Occupational Risk (SENSOR) pesticide poisoning

Questions:

1. What is the total amount of mill fee that the DPR has collected since the passage of the bill?
2. What estimated amount remains to be collected?
3. How are these funds being used by the DPR?
4. Have any of these funds gone agencies other than DPR?